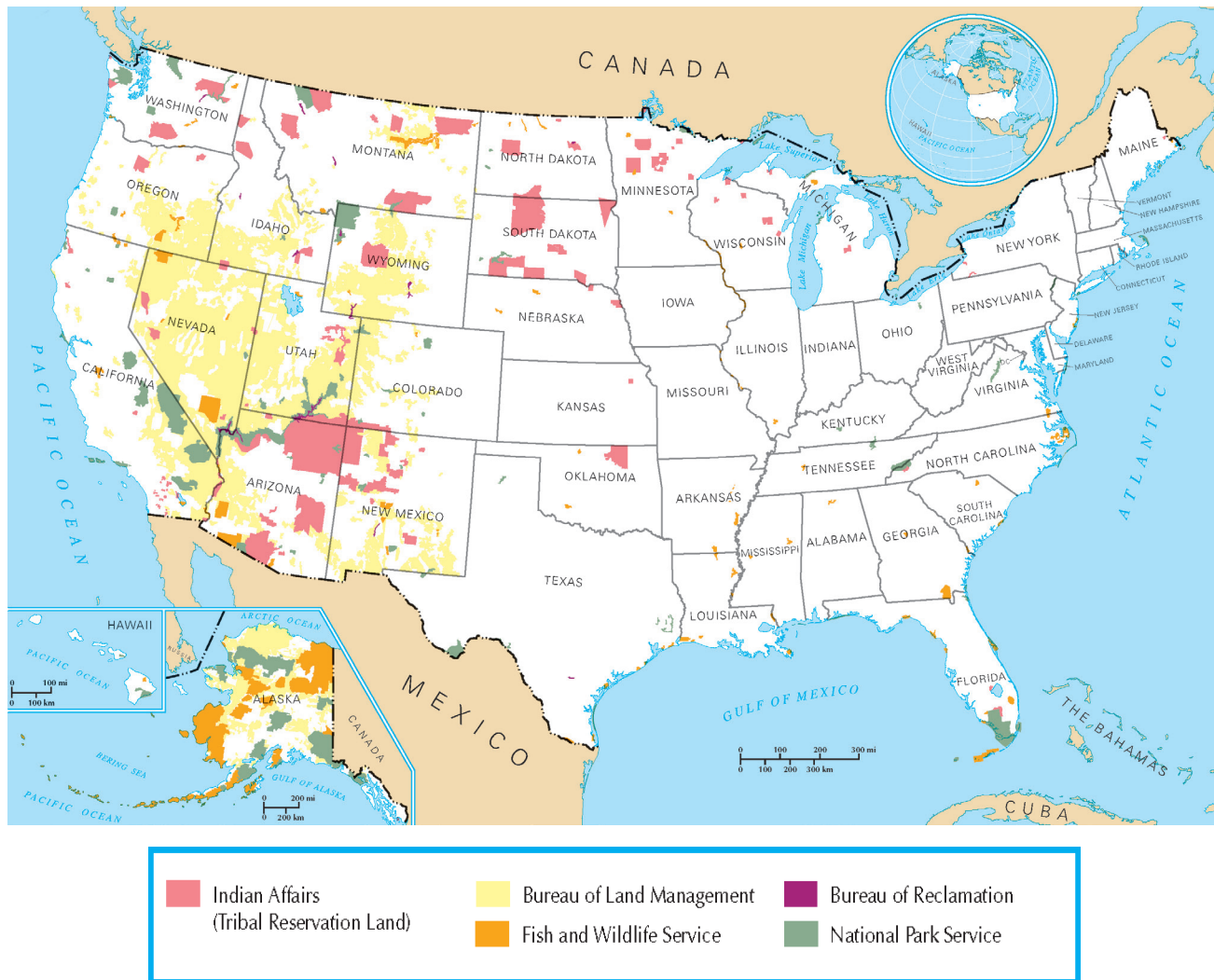


## MISSION AND ORGANIZATION

### Surface Lands Managed by The Department of the Interior



### Mission

The U.S. Department of the Interior protects and manages the Nation's natural resources and cultural heritage; provides scientific and other information about those resources; and honors its trust responsibilities or special commitments to American Indians, Alaska Natives, and affiliated Island Communities.

### History

Established in 1849, Interior is the Nation's principal Federal conservation agency.

Interior manages many of the Nation's special natural, cultural, and historic places, conserves lands and waters, protects cultural legacies, and keeps the Nation's history alive. Interior manages parks, refuges, the National Landscape and Conservation

System, and other public lands and recreation areas for public enjoyment; provides access to many of the Nation's natural resources; increases scientific knowledge; and, fulfills America's trust and other responsibilities to native peoples. Interior also provides hydropower to the Western States. It delivers water to over 31 million citizens through management of 479 dams and 348 reservoirs.

A Department for Domestic Concern was considered by the First United States Congress in 1789, but those duties were initially placed in the Department of State. The proposal continued to percolate for a half-century. The 1846–1848 Mexican-American War gave the proposal new energy as the responsibilities of the Federal government grew. President Polk's Secretary of the Treasury, Robert J. Walker, became a vocal champion for creating a new department.

In 1848, Walker stated in his annual report that several Federal offices were placed in Departments with which they had little in common: the General Land Office in the Department of the Treasury; the Indian Affairs Office residing in the Department of War; and the Patent Office in the State Department. He proposed that all should be brought together in a new Department of the Interior.

A bill authorizing Interior's creation passed the House of Representatives on February 15, 1849, and was adopted by the Senate in just over two weeks. The Department was established on March 3, 1849, the eve of President Zachary Taylor's inauguration, when the Senate voted 31 to 25 to create the Department.

Today, Interior manages about one-fifth of America's land, as shown on the previous page, and is made up of Departmental Offices and eight Bureaus with a broad range of responsibilities.

## Defining Interior's Goals

The Department's Strategic Plan for Fiscal Year (FY) 2007–2012 provides the framework for activities in eight bureaus and multiple offices in 2009. The Strategic Plan is the guide by which we gauge our success in achieving performance results.

The combined Mission Areas contain 14 End Outcome Goals that the department, through its offices and Bureaus, works to accomplish.

The existing goals and measures are under review as the Department updates the current Strategic Plan. The goals and Key Performance Indicators (KPIs) presented in the following section may change in future reports based on that review. DOI also anticipates reporting on the Department-specific high-priority performance goals that the Administration is now developing.

## DOI'S MISSION AREAS

### RESOURCE PROTECTION

#### *Protect the Nation's natural, cultural and heritage resources*

- ▶ Improve the health of watersheds, landscapes, and marine resources that are Interior managed or influenced, consistent with obligations and State law regarding the allocation and use of water
- ▶ Sustain biological communities on Interior managed and influenced lands and waters, consistent with obligations and State law regarding the allocation and use of water
- ▶ Protect cultural and natural heritage resources
- ▶ Improve the understanding of national ecosystems and resources through integrated interdisciplinary assessment

### RESOURCE USE

#### *Improve resource management to assure responsible use and sustain a dynamic economy*

- ▶ Manage or influence resource use to enhance public benefit, promote responsible development, and economic value
- ▶ Deliver water consistent with applicable state and Federal law, in an environmentally responsible and cost-efficient manner
- ▶ Improve the understanding of energy and mineral resources to promote responsible use and sustain the Nation's dynamic economy

### RECREATION

#### *Improve recreation opportunities for America*

- ▶ Improve the quality and diversity of recreation experiences and visitor enjoyment on Interior lands
- ▶ Expand seamless recreation opportunities with partners

### SERVING COMMUNITIES

#### *Improve protection of lives, property, and assets, advance the use of scientific knowledge, and improve the quality of life for communities we serve*

- ▶ Improve protection of lives, resources, and property
- ▶ Improve understanding, prediction, and monitoring of natural hazards to inform decisions by civil authorities and the public to plan for, manage, and mitigate the effects of hazard events on people and property
- ▶ Fulfill Indian fiduciary trust responsibilities
- ▶ Advance quality communities for Tribes and Alaska Natives
- ▶ Increase economic self-sufficiency of insular areas

### DOI Bureaus

Each Interior Bureau has discrete responsibilities.



#### Fish and Wildlife Service

- ▶ Manages the 96 million-acre National Wildlife Refuge System primarily for the benefit of fish and wildlife
- ▶ Protects and conserves:
  - ▷ Migratory birds
  - ▷ Threatened and endangered species
  - ▷ Certain marine mammals
  - ▷ Fish
- ▶ Hosts about 38 million visitors annually at 548 refuges and 37 wetland management districts



#### Bureau of Land Management

- ▶ Manages the National Landscape Conservation System
- ▶ Manages and conserves resources for multiple use and sustained yield on approximately 253 million acres of public land, including the following:
  - ▷ Energy and mineral exploration and production
  - ▷ Timber production
  - ▷ Domestic livestock grazing
  - ▷ Outdoor recreation
  - ▷ Rights-of-way
  - ▷ Fish and wildlife conservation
  - ▷ Resource protection at sites of natural scenic, scientific, and historical value



#### Indian Affairs

- ▶ Fulfills Indian trust responsibilities
- ▶ Promotes self-determination on behalf of more than 562 Federally recognized Indian Tribes
- ▶ Provide education, law enforcement, and other social services



#### Minerals Management Service

- ▶ Manages access to the energy resources of the Outer Continental Shelf (OCS) to help meet our country's energy needs
- ▶ Administers just over 7,600 active mineral leases on approximately 41.2 million OCS acres
- ▶ Oversees 15 percent of the natural gas and 27 percent of the oil produced domestically
- ▶ Collects, accounts for, substantiates, and disburses custodial mineral revenues from Federal and Indian mineral leases
- ▶ Oversees lease and grant issuance for offshore renewable energy projects



#### Office of Surface Mining Reclamation and Enforcement

- ▶ Protects the environment during coal mining
- ▶ Ensures that the land is reclaimed afterwards
- ▶ Mitigates the effects of past mining by pursuing reclamation of abandoned coal mine lands



### National Park Service

- ▶ Maintains a network of 391 natural, cultural, and recreational sites for the benefit and enjoyment of the American people
- ▶ Provides technical and financial assistance to state and local natural and cultural resource sites
- ▶ Provides respite and outdoor recreation to over 275 million annual park visitors



### U.S. Geological Survey

- ▶ Provides reliable scientific information in geography, geology, hydrology, and biology to inform effective decisionmaking and planning
- ▶ Brings a range of earth and life science disciplines to bear on problems
- ▶ Produces information to increase understanding of natural hazards such as earthquakes, volcanoes, and landslides
- ▶ Conducts research on oil, gas and alternative energy potential, production, consumption, and environmental effects



### Bureau of Reclamation

- ▶ Largest supplier and manager of water in the seventeen Western States
- ▶ Maintains 479 dams and 348 reservoirs
- ▶ Delivers water to one in every five western farmers and over 31 million people
- ▶ America's second largest producer of hydroelectric power

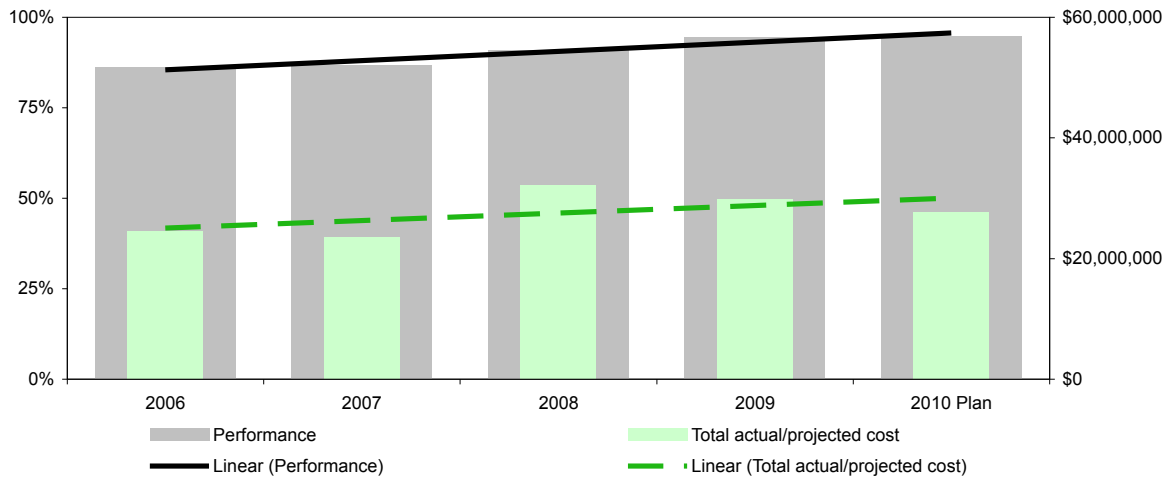
## Assessing Our Performance

The following 25 select performance measures are the Department's Key Performance Indicators (KPIs), formerly Representative Performance Measures. The KPIs were chosen from Interior's Strategic Plan, based on their relatively broad scope, to provide a summary level assessment of yearly progress. Interior also uses this information to identify strategies for future performance improvement and allow executive level oversight of Departmentwide efforts.

Each KPI is plotted through 2009 with a projection into the next fiscal year, along with estimated cost for FY 2010. Actual costs (expenses) are reflected for FY 2006 through FY 2009 with a projected cost for FY 2010. Trend lines have been added to the KPI graphs so that the relationship between performance and associated cost is more readily apparent. The following section presents a summary of Interior's performance for FY 2009 in each Mission Area.

## MISSION AREA ONE: RESOURCE PROTECTION

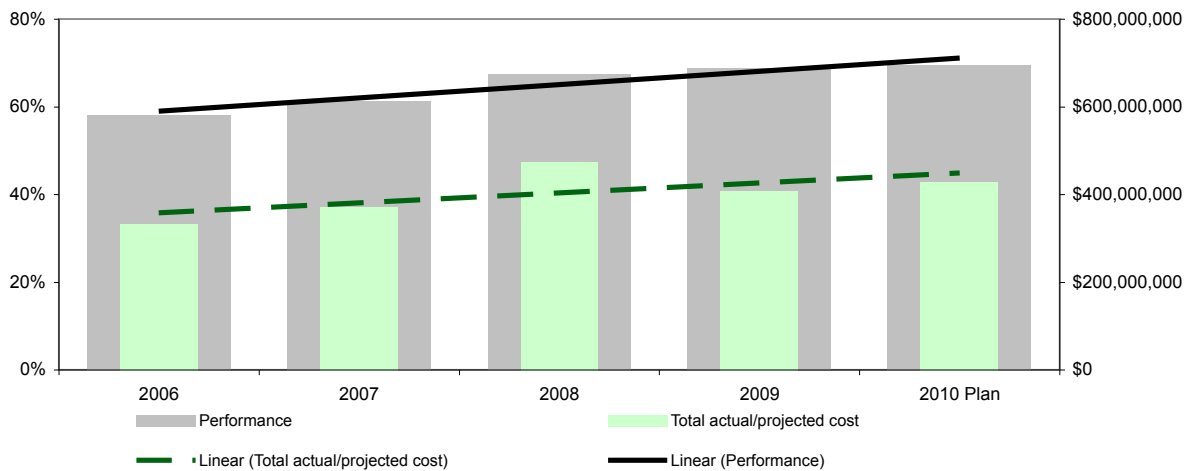
**Percent of Interior stream/shoreline miles in desired condition**



ID #1614	2006	2007	2008	2009	2010 Plan
Target		88%	89%	94%	95%
Performance	86%	87%	91%	94%	
Miles in desired condition	137,173	193,147	247,909	494,917	496,680
Miles with known condition	159,411	222,830	273,093	524,199	524,199
Total actual/projected cost	\$24,523,638	\$23,550,163	\$32,166,294	\$29,705,845	\$27,688,401

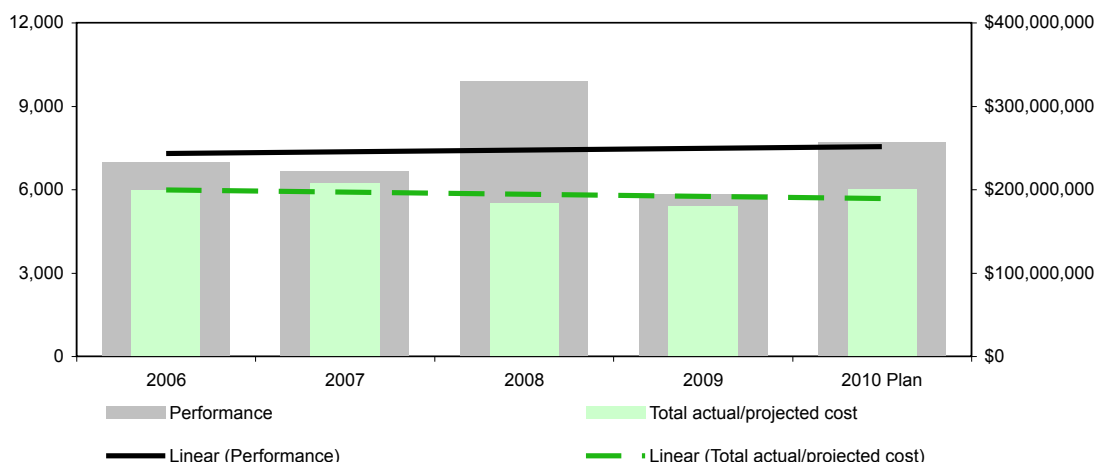
The number of stream/shoreline miles with known condition rose significantly in 2009 due to the inclusion of more than 250,000 miles within the Alaska portions of the National Wildlife Refuge System. Given that nearly all of those miles were assessed to be in desired condition, the 2009 performance increase reflects mostly an expansion of the miles found to be in desired condition along with miles improved. Funding shows a slight upward trend since 2006. Performance for 2010 is projected to remain at a level comparable to 2009.

**Percent of Interior acres in desired condition**



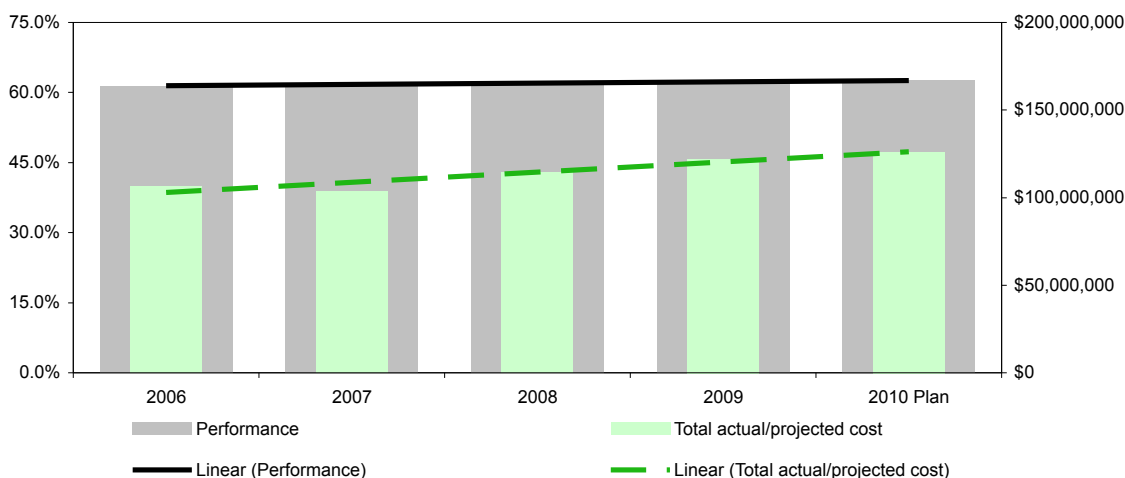
ID #1465	2006	2007	2008	2009	2010 Plan
Target		61%	66%	68%	70%
Performance	58%	61%	68%	69%	
Acres in desired condition	200,715,412	212,179,045	260,199,936	263,353,261	266,524,323
Acres with known condition	345,580,083	344,308,411	385,005,230	383,166,319	383,166,319
Total actual/projected cost	\$333,382,810	\$372,177,563	\$474,239,250	\$408,877,370	\$428,841,561

A little more than 3 million more acres were determined to be in desired condition this year compared to FY 2008. This measure is a lagging indicator; we are seeing performance based on prior year's spending where desired condition is achieved based on treatment. Acres treated in 2007-2008 continue to provide results today. Funding is showing an upward trend, as is the expected performance for 2010.

**Number of land and surface water acres reclaimed from the effects of past coal mining**

ID #1468	2006	2007	2008	2009	2010 Plan
Target	6,900	6,900	6,900	6,900	7,700
Performance	6,983	6,658	9,909	5,838	
Total actual/projected cost	\$199,514,683	\$206,985,032	\$183,813,000	\$180,325,442	\$200,000,000

In FY 2009, 5,838 acres were reclaimed for Priority 1, 2 and associated 3 projects. Although the target was not met, a 12 percent increase in the number of problem sites were reclaimed this year over last year. Also noteworthy was an increase in the percentage of higher priority reclamation work accomplished. The target is higher in 2010, as states have been receiving substantial funding increases appropriate to reclaiming Priority 1 and 2 sites.

**Percent of migratory bird species at healthy and sustainable levels**

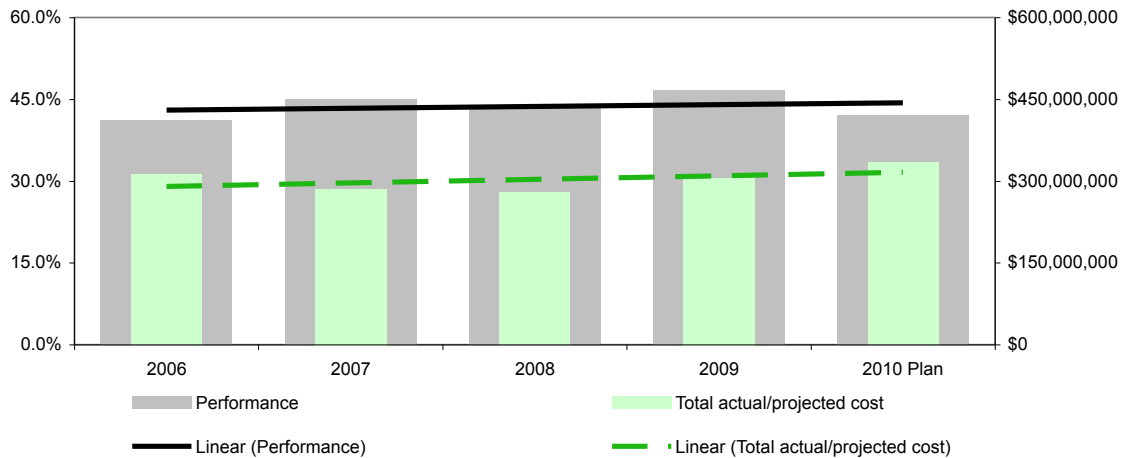
ID #1491	2006	2007	2008	2009	2010 Plan
Target		61.7%	62.3%	62.0%	62.5%
Performance	61.4%	61.5%	62.3%	62.0%	
Number at healthy and sustainable levels	561	561	568	568	570
Number of species	913	912	912	912	912
Total actual/projected cost	\$106,199,619	\$103,520,674	\$114,226,169	\$122,227,000	\$126,104,000

Performance remained level this year, although funding increased by over \$8 million. The additional funds had a focused purpose: completion of action plans on 30 additional focal species that have experienced significant population declines. This measure has a long completion horizon and is also dependent upon environmental conditions. There has been an increase in the number of populations achieving sustainable levels, indicating that long-term conservation efforts can be successful over time.



## MISSION AREA ONE: RESOURCE PROTECTION

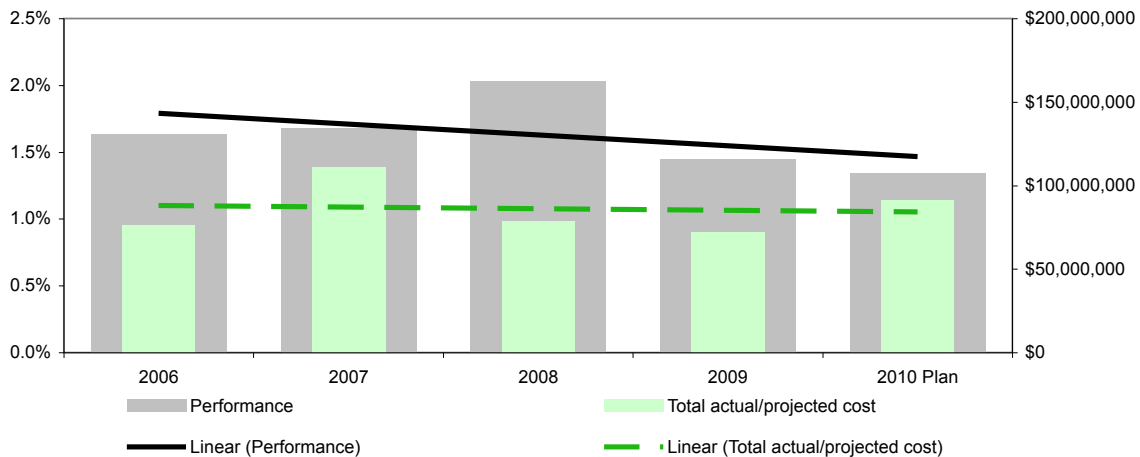
### Percent of Threatened & Endangered species stabilized or improved



ID #1695	2006	2007	2008	2009	2010 Plan
Target		47.2%	41.6%	41.8%	42.0%
Performance	41.1%	45.2%	43.3%	46.7%	
Species stabilized/improved	522	573	549	593	534
Number of species	1,269	1,269	1,267	1,270	1,270
Total actual/projected cost	\$312,030,262	\$285,255,306	\$279,195,713	\$305,613,000	\$334,264,000

This measure is impacted by the time it takes for corrective actions to be implemented and take effect. In FY 2009, FWS increased efforts to perform more species evaluations and were successful in determining the status of a greater number of species than in prior years, as the number of species stabilized or improved shot up by 44 over FY 2008. The 2010 target is under review relative to the level of success achieved in 2009.

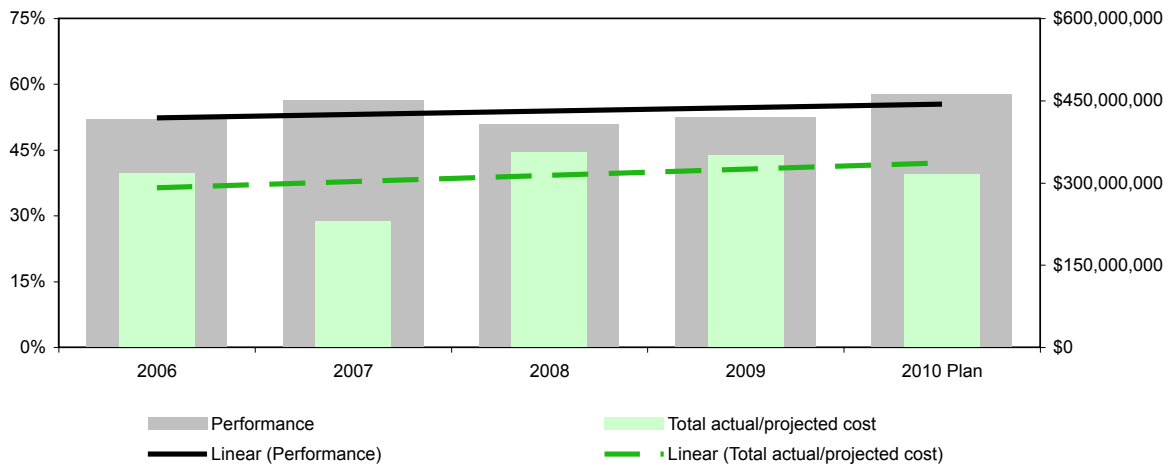
### Percent of baseline acres infested with invasive plant species that are controlled



ID #444	2006	2007	2008	2009	2010 Plan
Target	1.5%	1.5%	1.6%	1.4%	1.3%
Performance	1.6%	1.7%	2.0%	1.5%	
Acres controlled	667,640	633,208	791,667	575,691	534,862
Baseline acres infested	40,725,678	37,717,610	38,943,435	39,690,434	39,690,220
Total actual/projected cost	\$76,723,551	\$111,398,575	\$78,705,926	\$72,295,818	\$91,701,899

This performance data is presently under review as the FWS has been tracking acres treated rather than acres controlled. This measures the level of activity (treatment) rather than the results (amount controlled). The 2009 result shows the appropriate performance. Increasing the level of performance is extremely challenging given the robust nature of invasives and their ability to spread rapidly.

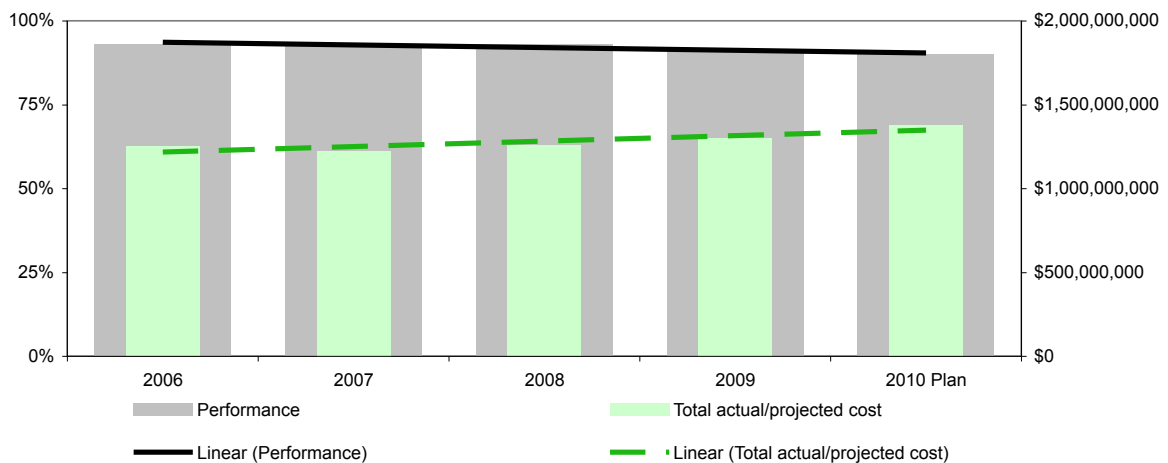
Percent of Interior historic structures in good condition



ID #1496	2006	2007	2008	2009	2010 Plan
Target	46%	46%	50%	53%	58%
Performance	52%	56%	51%	52%	
Structures in good condition	13,788	15,043	15,555	16,235	17,900
Structures on Interior inventory	26,630	26,731	30,586	30,950	30,986
Total actual/projected cost	\$318,018,235	\$229,169,045	\$356,208,109	\$349,371,994	\$314,931,151

Interior maintains over 30,000 historic structures. Performance has generally increased over time. The good condition of the new additional structures is the likely cause of the slight performance increase in FY 2009. There is a decreasing trend in funding, although a rise in performance is anticipated, based primarily on efforts conducted through earlier years.

Percent of targeted science products used for land management decision making



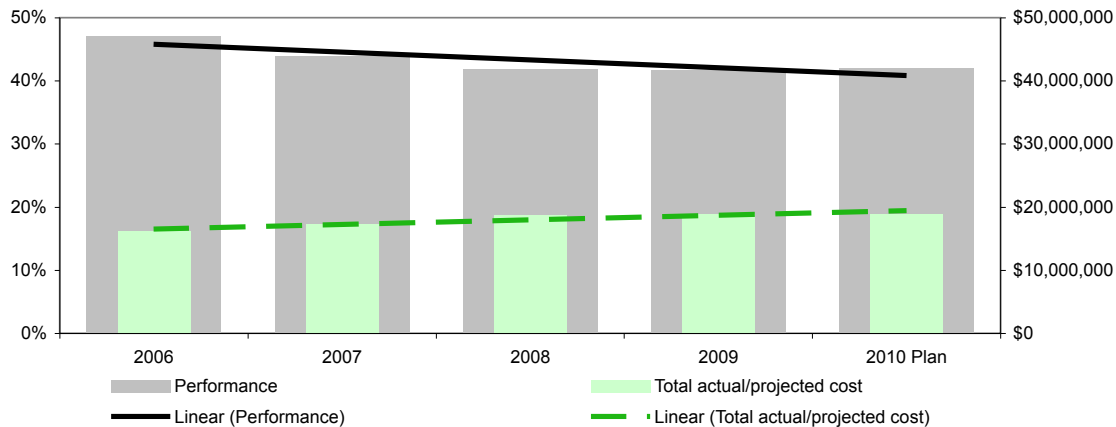
ID #1508	2006	2007	2008	2009	2010 Plan
Target		90%	90%	90%	90%
Performance	93%	93%	93%	91%	
Total actual/projected cost	\$1,251,015,129	\$1,224,776,955	\$1,258,289,675	\$1,301,982,159	\$1,375,436,970

Performance is captured by the percent of science products used for land management decisionmaking. Performance is consistently high and is tracked by surveys of customers and partners. Costs show a steady upward trend. Funds are anticipated to increase next year due to the emphasis on assessing the impacts of climate change on national ecosystems and resources.



## MISSION AREA TWO: RESOURCE USE

**Percent of fluid mineral leases with approved applications for permit to drill**



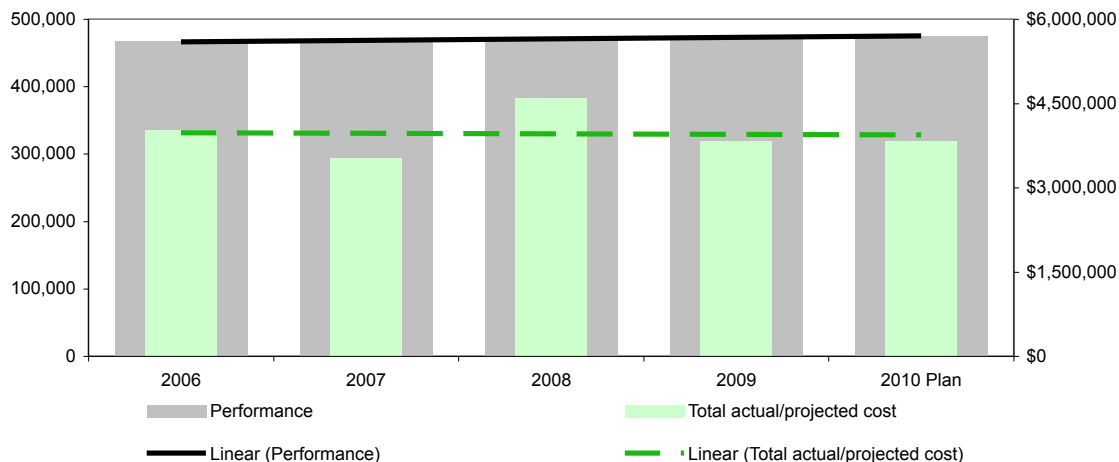
ID #1509	2006	2007	2008	2009	2010 Plan
Target		47%	44%	42%	42%
Performance	47%	44%	42%	42%	
Leases with APD	22,859	21,612	23,289	22,476	23,289
Number of leases	48,423	49,152	55,546	53,930	55,546
Total actual/projected cost	\$16,084,959	\$17,275,476	\$18,737,261	\$18,898,144	\$18,898,144

APDs	2006	2007	2008	2009	2010 Plan
APDs submitted	10,492	8,370	7,884	5,257	7,000
APDs processed*	8,854	8,964	7,846	5,306	6,500

\* Includes pending APDs

The Application for Permits to Drill (APD) process has been affected by the upsurge in litigation, primarily over environmental issues, causing a slowdown in performance. The number of producing leases has not kept pace with the growth in total leases because oil/gas companies often acquire leases for the future without drilling a producible well for several years. Costs are also affected by the increasing number of court actions and show a slight upward trend.

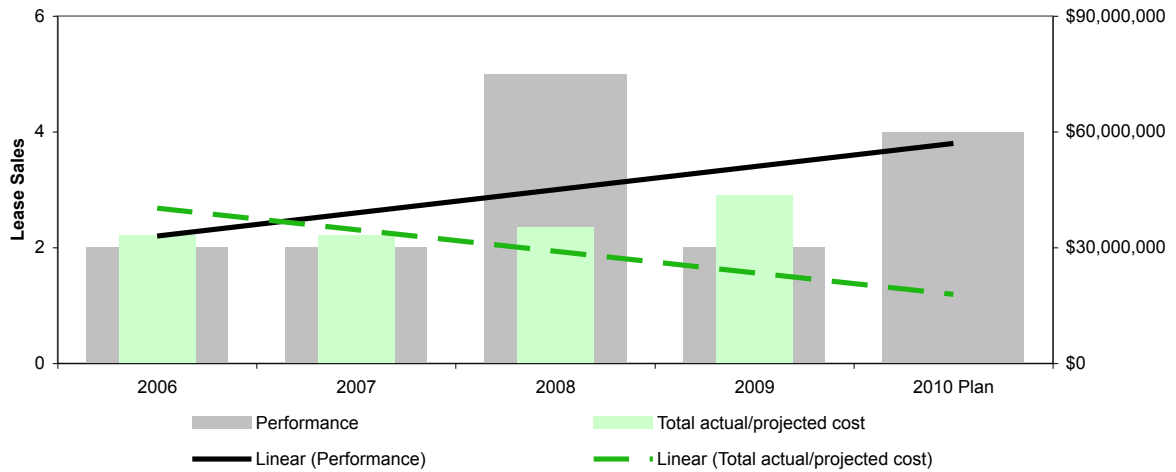
**Number of onshore Federal acres under lease for coal development**



ID #1510	2006	2007	2008	2009	2010 Plan
Target		464,500	467,234	472,337	474,334
Performance	466,652	466,943	472,337	474,334	
Total actual/projected cost	\$4,019,503	\$3,522,116	\$4,595,031	\$3,823,154	\$3,823,154

Performance has remained relatively steady, while the funding trend associated with this program is relatively level. The target for 2010 is comparable to the performance achieved in 2009. No significant change in performance is projected for the coal leasing program through 2013.

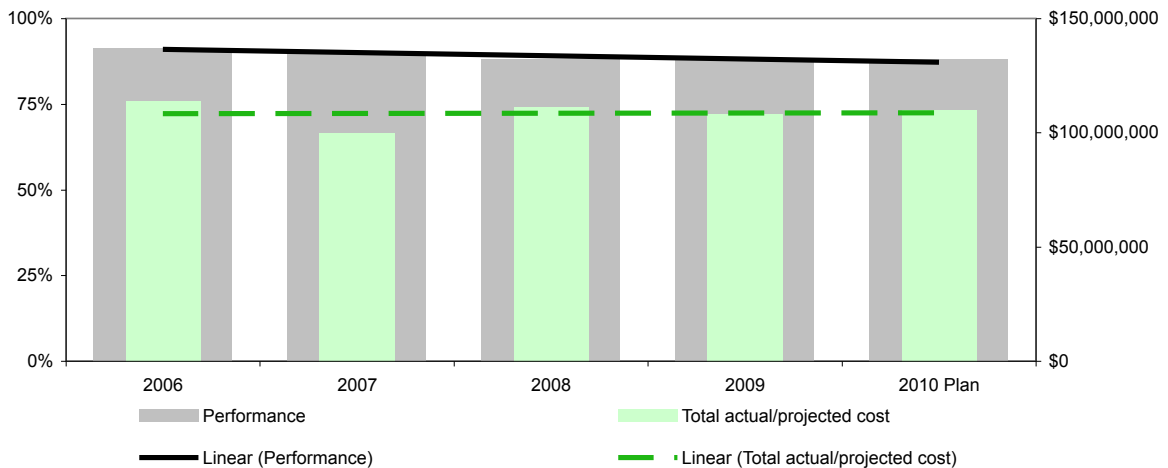
### Number of offshore lease sales held consistent with the Secretary's 2007-2012 Five Year Program



ID #1588	2006	2007	2008	2009	2010 Plan
Target	2	2	5	2	4
Performance	2	2	5	2	
Total actual/projected cost	\$33,100,000	\$33,200,000	\$35,200,000	\$43,600,000	Not Available

Performance is progressing as planned in the Secretary's 5-Year Offshore Oil and Gas Leasing Program. Funding spent is on the rise to support the environmental studies and analyses, resource assessments, and leasing consultations necessary to provide access to frontier leasing areas. FY 2006 expense data from the legacy accounting system are unavailable. FY 2010 estimated expense data was not pursued due to lack of a departmental forecast methodology. In FY 2009, two lease sales were held in the Gulf of Mexico. A third sale was scheduled in Alaska's Beaufort Sea, but was delayed because of the additional time needed to complete an environmental impact statement. The four sales planned for FY 2010 include the delayed Beaufort Sea sale, plus sales in the Chukchi Sea, and Central and Western Gulf of Mexico.

### Percent of active coal mining sites free of off-site impacts

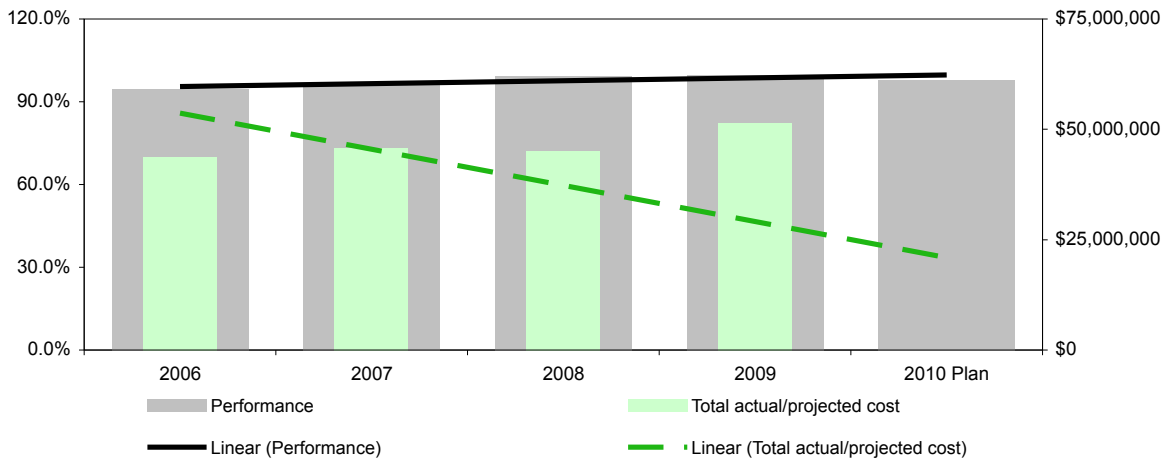


ID #455	2006	2007	2008	2009	2010 Plan
Target	93%	93%	93%	93%	88%
Performance	92%	90%	88%	88%	
Sites free of off-site impacts	7,454	7,103	6,864	6,879	6,800
Total number of mining sites	8,142	7,877	7,784	7,845	7,716
Total actual/projected cost	\$113,684,000	\$99,688,511	\$111,388,487	\$108,119,390	\$110,000,000

Performance remains the same as last year's 88 percent of active mining sites free of off-site impacts. The goal was not met due to a variety of factors, including an increase in hydrology and blasting issues, and water issues on bond forfeiture sites that delayed reclamation activities. Dollars spent remain relatively constant.

## MISSION AREA TWO: RESOURCE USE

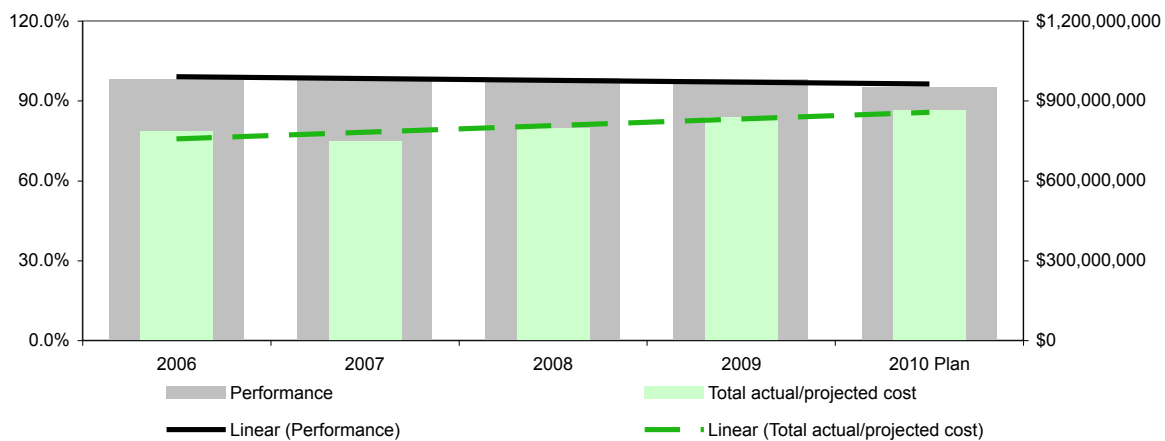
**Percent of Federal and Indian revenues disbursed on a timely basis per statute**



ID #493	2006	2007	2008	2009	2010 Plan
Target	96.5%	97.0%	98.0%	98.0%	98.0%
Performance	94.5%	96.3%	99.2%	99.6%	
Value disbursed on a timely basis (\$ Billions)	2.505	2.251	2.962	3.091	2.352
Total value of revenues disbursed (\$ Billions)	2.650	2.336	2.987	3.104	2.400
Total actual/projected cost	\$43,700,000	\$45,800,000	\$45,200,000	\$51,500,000	Not Available

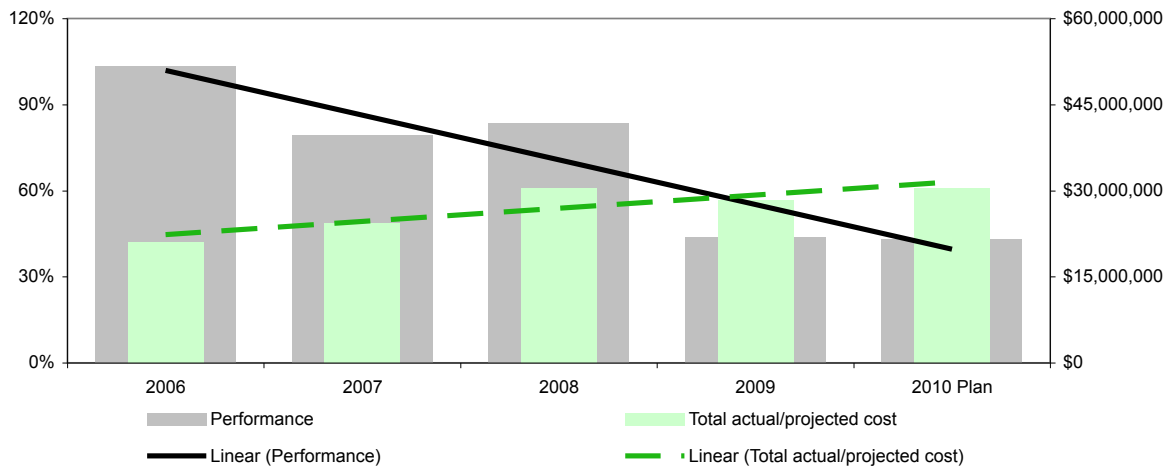
Performance has increased over past years and exceeded the target in FY 2009. Funding briefly increased due to system enhancements and fixed cost increases. Each month about 2,100 companies report and pay royalties on over 29,000 producing Federal and Indian leases, as well as annual rental revenues on 37,000 non-producing leases. Performance is expected to stay in the upper 90th percentile. FY 2006 expense data from the legacy accounting system are unavailable. FY 2010 estimated expense data was not pursued due to lack of a departmental forecast methodology.

**Water infrastructure is in fair to good condition as measured by the Facilities Reliability Rating**



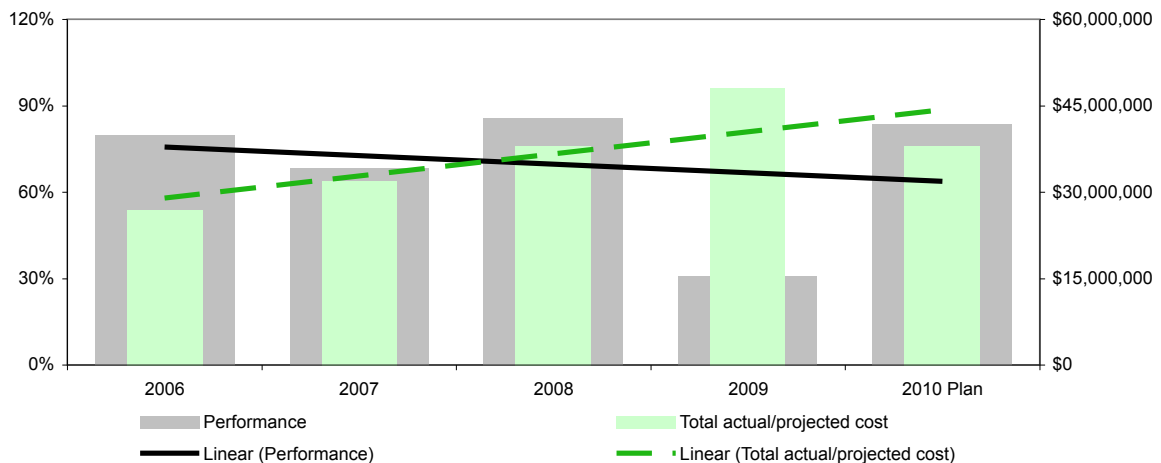
ID #909	2006	2007	2008	2009	2010 Plan
Target	93.2%	91.3%	91.6%	95.0%	95.1%
Performance	97.9%	98.8%	98.6%	98.0%	
Infrastructure in good condition	333	341	341	339	328
Total number of dams and facilities	340	345	346	346	345
Total actual/projected cost	\$783,874,681	\$749,680,635	\$795,417,595	\$839,158,151	\$864,332,896

Performance remained steady, but did come in over target and remains in the high 90th percentile. Overall, the funding trend is fairly level. The challenge with this measure is controlling cost while balancing the expense of maintaining aging infrastructure and making necessary repairs and replacements.

**Percent of grazing permits and leases processed**

ID #1519	2006	2007	2008	2009	2010 Plan
Target		100%	85%	35%	43%
Performance	103%	79%	84%	44%	
Permits/leases processed	2,565	2,058	2,177	2,554	2,206
Permits/leases received	2,479	2,600	2,600	5,835	5,106
Total actual/projected cost	\$21,019,714	\$24,352,483	\$30,510,761	\$28,400,621	\$30,510,761

Performance is showing a steep downward trend with a significant drop in FY 2009 due to the increase in the number of permit applications received—over double the established baseline of 2,600. More permits were processed in less time and at lower cost using a categorical exclusion that will not be available next year. The number of leases processed is expected to return to the 2008 level in 2010. Funding is expected to return to the 2008 level in 2010.

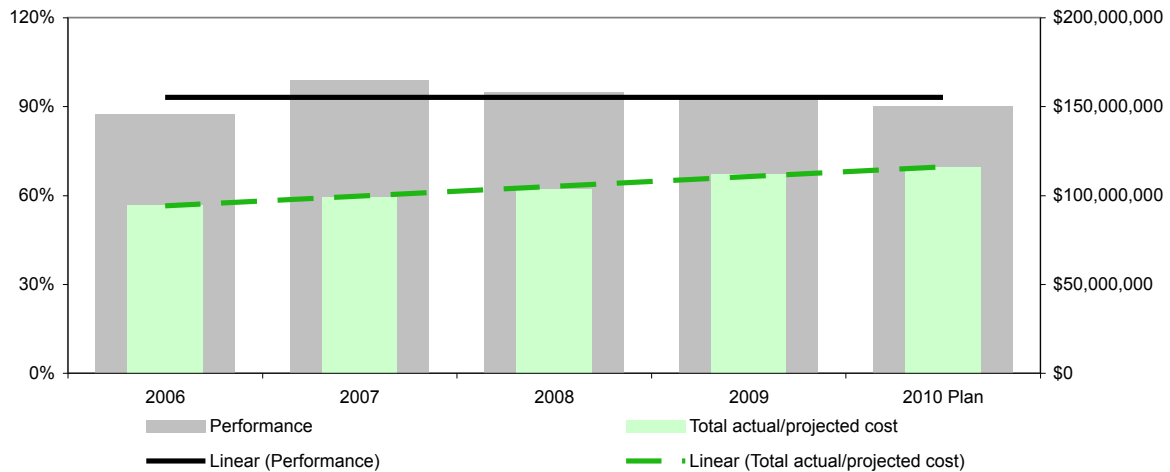
**Percent of allowable sale quantity of timber offered for sale**

ID #1562	2006	2007	2008	2009	2010 Plan
Target		82%	85%	34%	84%
Performance	80%	68%	86%	31%	
Timber offered (MMBF)	162	139	174	155	170
Allowable sale quantity of timber (MMBF)	203	203	203	502	203
Total actual/projected cost	\$26,945,719	\$31,975,747	\$38,068,812	\$47,986,211	\$38,068,812

Performance dropped over last year due to the withdrawal of the western Oregon planning decisions and the potential remand of the Spotted Owl Recovery Plan that required the BLM to reconfigure or drop timber sales. In FY 2010, performance and costs both return to the 2008 level. Costs increased in FY 2009 due to sale preparation before the planning decision withdrawal, litigation, and increased species recovery work.

## MISSION AREA TWO: RESOURCE USE

**Percent of targeted science products used for resource management decisionmaking**

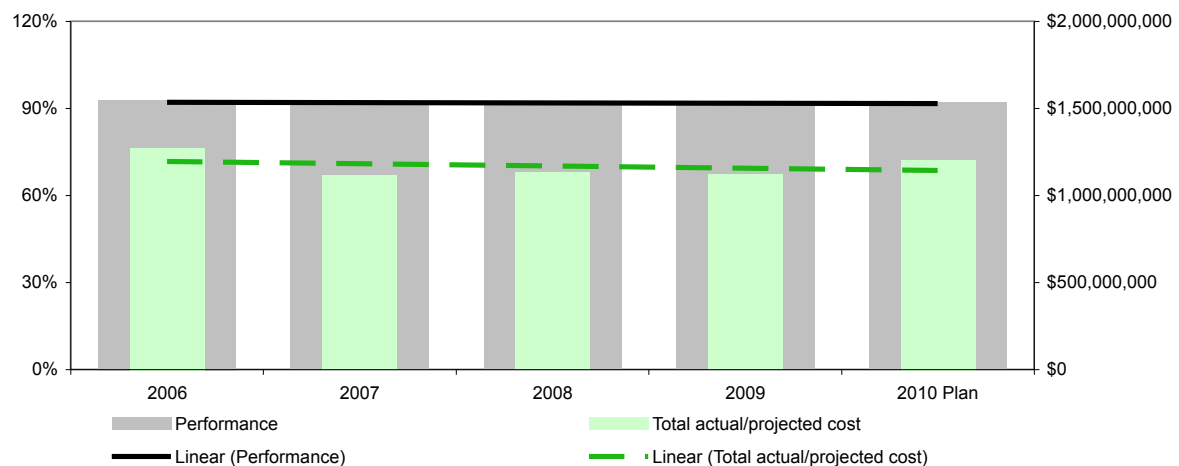


ID # 1527	2006	2007	2008	2009	2010 Plan
Target	New for 2007	80%	90%	90%	90%
Performance	88%	99%	95%	94%	
Total actual/projected cost	\$94,898,465	\$99,256,515	\$103,482,332	\$112,141,828	\$115,749,160

Science products used for resource decisionmaking continue to experience high rates of use from partners and customers, in the 90th percentile. Funding for both the Energy Resource and Mineral Resource Programs was increased due to the growing emphasis on identifying renewable energy resources.

## MISSION AREA THREE: RECREATION

**Percent of visitors satisfied with the quality of their experience**

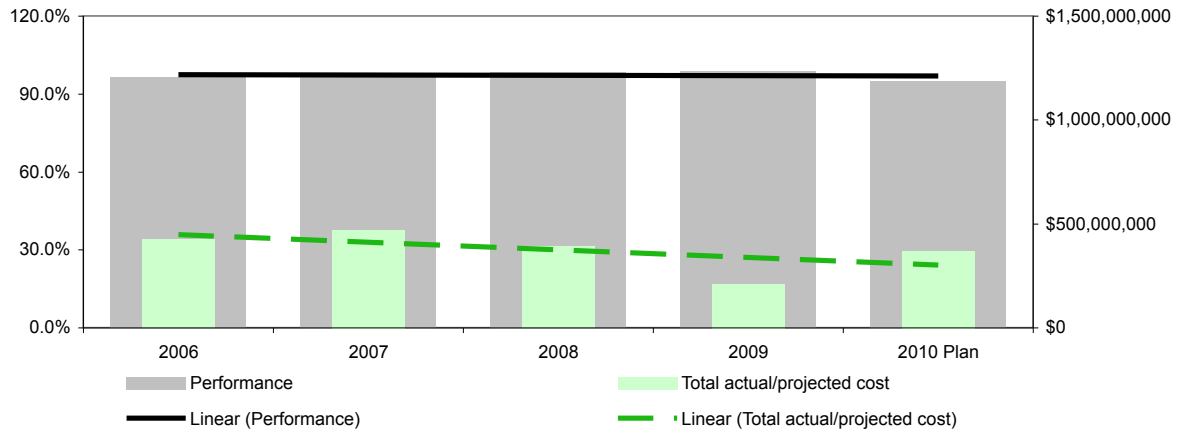


ID #554	2006	2007	2008	2009	2010 Plan
Target	91%	91%	91%	91%	92%
Performance	93%	91%	91%	92%	
Total actual/projected cost	\$1,273,925,343	\$1,114,335,910	\$1,131,989,792	\$1,123,454,561	\$1,204,524,115

Performance rose slightly to 92 percent for FY 2009 and is expected to stay at that level next year. Dollars associated with this measure will increase, largely due to NPS allocating funds to accomplish park improvements by the 2016 Park Centennial.

## MISSION AREA FOUR: SERVING COMMUNITIES

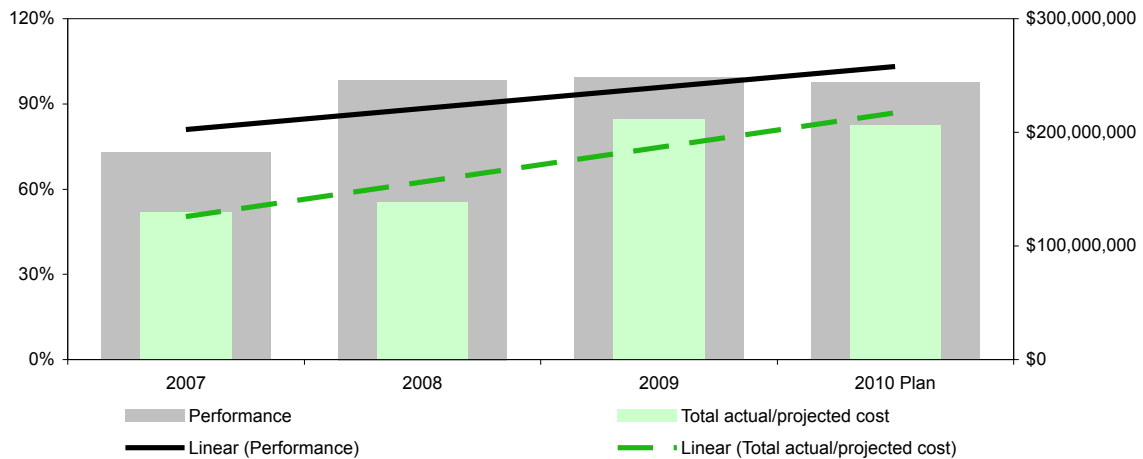
### Percent of unplanned and unwanted fires on Interior land controlled during initial attack



ID #788	2006	2007	2008	2009	2010 Plan
Target	95.0%	95.0%	95.0%	95.0%	95.0%
Performance	96.5%	97.0%	98.5%	98.7%	
Fires controlled during initial attack	9,790	7,968	5,693	6,145	8,599
Total fire ignitions	10,149	8,212	5,778	6,225	9,052
Total actual/projected cost	\$847,893,380	\$825,011,119	\$696,721,227	\$211,849,000	\$369,797,000

Performance is steady and exceeded the target for FY 2009. FY 2008 and 2009 showed lower levels of ignitions than in the previous years. FY 2010 could see fire levels comparable to these earlier years; however, it appears that performance will keep pace with this increase. Funding shows an overall downward trend due to the lower activity fire seasons in FY 2008 and 2009; costs are estimated to be higher in FY 2010 compared to FY 2009 if the upcoming fire season is more comparable to that experienced in 2006 and 2007.

### Percent of acres treated which achieve fire management objectives identified in management plans

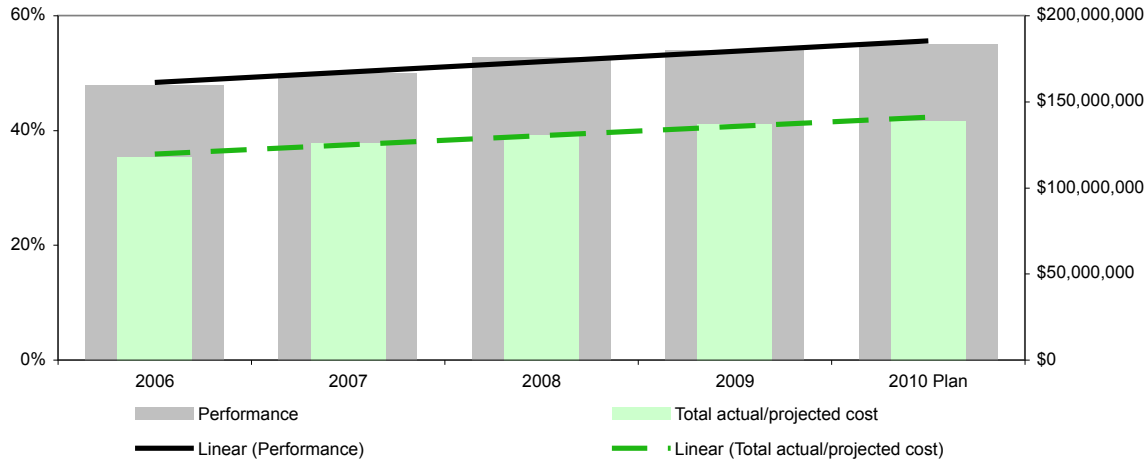


ID #1540	2006	2007	2008	2009	2010 Plan
Target		90%	75%	96%	97%
Performance		73%	98%	99%	
Treated acres achieving fire management objectives	New for 2007	969,865	1,239,740	1,446,000	1,170,000
Total acres treated		1,333,422	1,260,035	1,459,000	1,200,024
Total actual/projected cost	\$132,009,662	\$129,068,455	\$138,521,208	\$211,647,000	\$206,186,000

The performance target was exceeded again this year as progress continues on treating the highest priority Wildland Urban Interface (WUI); i.e., acres closest to populated areas. Fuel reduction treatments were applied to a greater number of acres in 2009. The performance trend is rising, in the high 90th percentile, and is expected to stay in that range in 2010. Costs are relatively level with an anticipated decrease next year as fewer acres are scheduled to be treated.

## MISSION AREA FOUR: SERVING COMMUNITIES

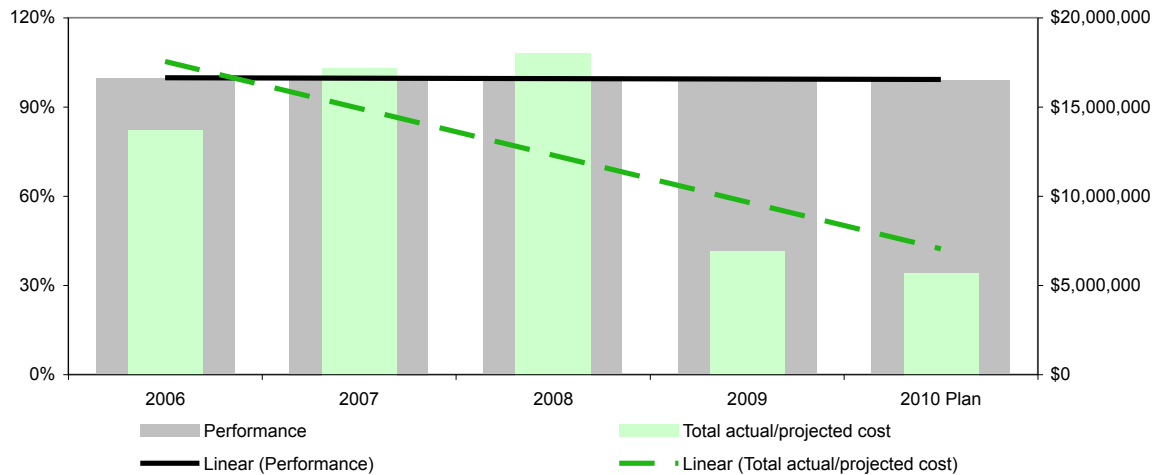
### Percent of communities/Tribes using Interior science on hazard mitigation, preparedness, and avoidance



ID #446	2006	2007	2008	2009	2010 Plan
Target	48%	51%	53%	53%	55%
Performance	48%	50%	53%	54%	
Total actual/projected cost	\$118,005,777	\$125,913,313	\$130,869,528	\$137,197,363	\$138,997,985

Performance is measured by the number of communities using science for hazard mitigation, which is steadily rising. The funding increase in the Volcano Hazards Program was used to develop a new management response plan for the Mt. St. Helens regions and for additional monitoring stations in several locations. The percent of communities using Interior science is limited only by the non-availability of science data in all hazard affected areas.

### Percent of financial information accurately processed in trust beneficiary accounts

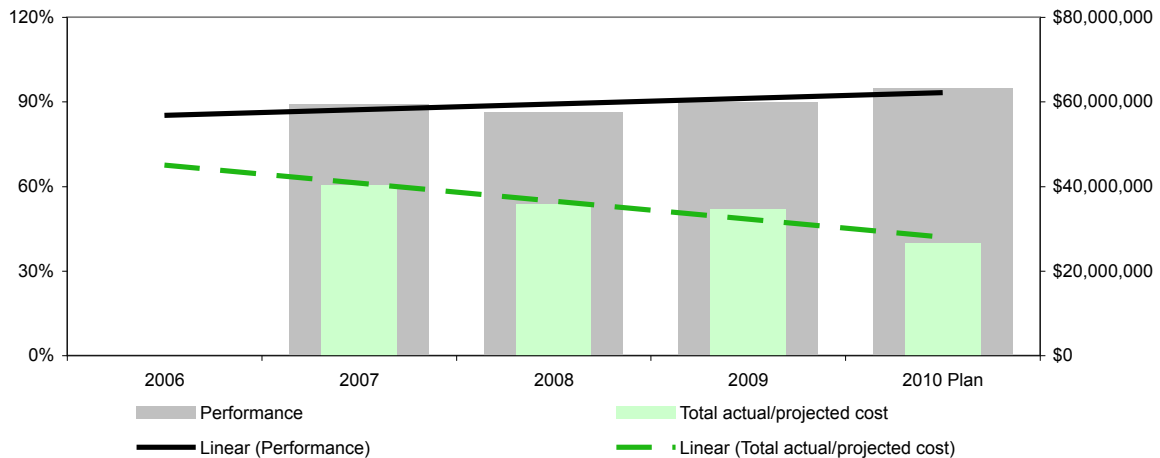


ID #322	2006	2007	2008	2009	2010 Plan
Target	98.0%	98.0%	98.0%	99.0%	99.0%
Performance	99.7%	99.8%	99.5%	99.6%	
Number of financial transactions accurately processed (manually)	1,656,841	2,005,251	1,190,517	1,147,036	1,188,000
Total financial transactions processed (manually)	1,661,781	2,010,103	1,196,003	1,151,933	1,200,000
Total actual/projected cost	\$13,695,762	\$17,178,852	\$18,035,325	\$6,907,789	\$5,700,000

Performance is at the top of the scale, above 99 percent. In 2009, efforts continued to automate routine transactions, leaving the more complicated transactions—probates and more involved special deposit account cleanup—to be handled manually. The high sustained performance is expected to continue. Funding dropped sharply due to implementation of re-engineered processes.



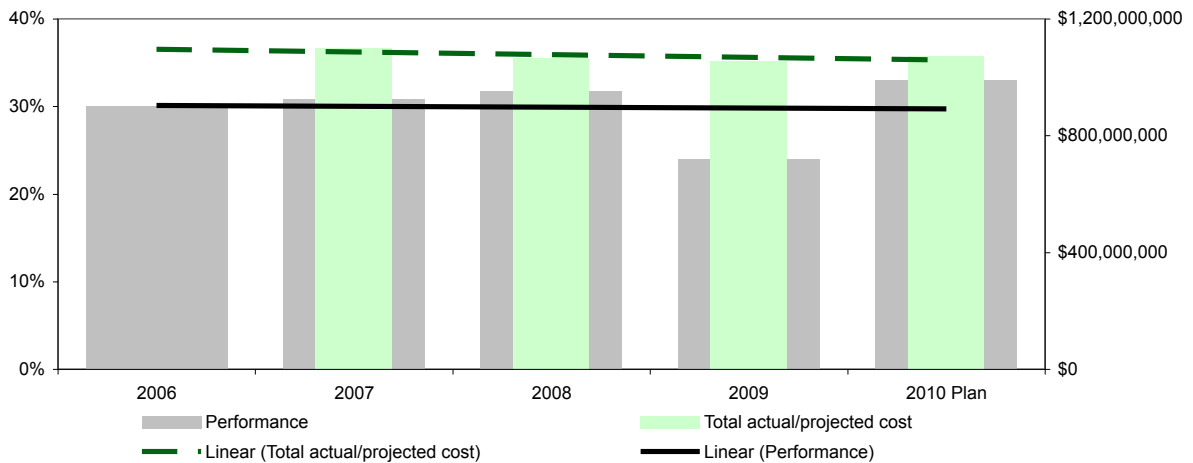
## Percent of Indian estates closed



ID #1553	2006	2007	2008	2009	2010 Plan
Target		100%	90%	95%	95%
Performance		89%	87%	90%	
Number of eligible estates closed	New for 2007	9,312	8,938	7,973	5,130
Total number of estates		10,414	10,324	8,901	5,400
Total actual/projected cost		\$40,386,000	\$35,852,000	\$34,755,000	\$26,547,000

Performance was at 90 percent this year, comparable with 2008, but slightly under target due to the delayed execution of the probate caseload contract and slower program hiring. In 2010, it is anticipated that a full-time probate staff will begin to work on eliminating the probate backlog.

## Percent of IA/BIE funded schools achieving Adequate Yearly Progress (AYP)

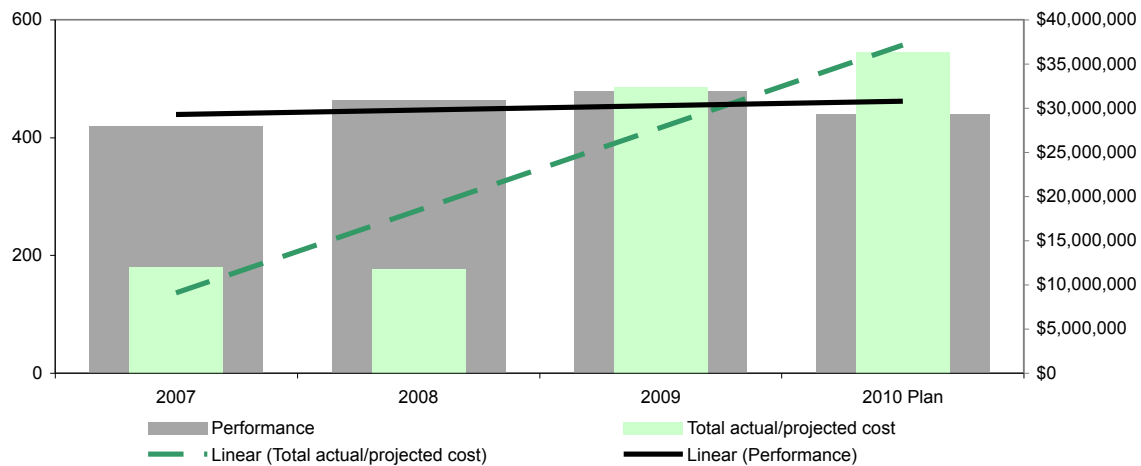


ID #1556	2006	2007	2008	2009	2010 Plan
Target		34%	32%	32%	33%
Performance	30%	31%	32%	24%	
Number of schools making AYP	51	53	54	42	57
Total number of schools	170	172	170	173	173
Total actual/projected cost		\$1,099,007,000	\$1,065,424,000	\$1,055,000,000 (estimated)	\$1,070,825,000

In school year (SY) 2007/2008 (FY 2009), BIE's AYP results reflect a national trend whereby 30 states reported substantial declines in the number of schools making AYP. Additionally, the AYP bar was raised in a number of states; specifically, student proficiency cut-off scores were raised in 21 of the 23 states in which BIE funds schools. However, the BIE implemented intensive programs to improve reading and math in SY 08/09 (FY 2010) and anticipates a significant increase in performance next year.

## MISSION AREA FOUR: SERVING COMMUNITIES

### Part I violent crime incidents per 100,000 Indian Country inhabitants receiving law enforcement services



ID #457	2006	2007	2008	2009	2010 Plan
Target		492	492	450	440
Performance	492	419	463	479	
Number of violent crimes per 100,000 inhabitants	6,050	5,157	5,698	6,002	5,510
Total number of inhabitants (100,000s)	12.30	12.30	12.30	12.53	12.53
Total actual/projected cost		\$12,018,000	\$11,725,000	\$32,351,000	\$36,302,000

Increased performance would be illustrated by a downward trend in the number of crimes per capita over time. There was an increase in violent crimes for FY 2009 due to the addition of 30 tribal communities that previously did not provide crime statistics. The service population also increased this year based on updates within the justice services reporting system. The actual ratio of crime to increased reporting shows an overall decrease in violent crime of 14 percent. Violent crime is expected to continue to decrease in FY 2010. Cost figures only cover enforcement of violent crimes while the program also covers criminal property incidents (\$225M), and investigations (\$148M). The measure addresses the approximately 1.2 million of the total 1.7 million Indian and tribal population directly served by BIA law enforcement.

## COMPLIANCE WITH LEGAL AND REGULATORY REQUIREMENTS

This section of the report provides the required information on the U.S. Department of the Interior's compliance with the following legal and regulatory requirements:

- ▶ Federal Managers' Financial Integrity Act of 1982 (FMFIA)
- ▶ Federal Financial Management Improvement Act of 1996 (FFMIA)
- ▶ Inspector General Act Amendments (Audit Followup)
- ▶ Audited Financial Statement Results
- ▶ Major management challenges confronting Interior
- ▶ Compliance with Other Key Legal and Regulatory Requirements

In addition, this section includes summaries of the Department's financial management improvement initiatives regarding:

- ▶ The American Reinvestment and Recovery Act of 2009 (ARRA)
- ▶ Financial Management Systems

### Federal Managers' Financial Integrity Act

The Department believes that maintaining integrity and accountability in all programs and operations: (1) is critical for good government; (2) demonstrates responsible stewardship over assets and resources; (3) ensures high-quality, responsible leadership; (4) ensures the effective delivery of services to customers; and, (5) maximizes desired program outcomes. Interior has developed and implemented management, administrative, and financial system controls that reasonably ensure:

- ▶ Programs and operations achieve intended results efficiently and effectively;
- ▶ Resources are used in accordance with the mission;
- ▶ Programs and resources are protected from waste, fraud, and mismanagement;
- ▶ Laws and regulations are followed; and
- ▶ Timely, accurate, and reliable data are maintained and used for decisionmaking at all levels.

Interior's internal control program is designed to ensure full compliance with the goals, objectives, and requirements of FMFIA and the following Office of Management and Budget (OMB) Circulars:

- ▶ OMB Circular A-123, *Management's Responsibility for Internal Control*, including Appendix A, *Internal Control over Financial Reporting*; Appendix B, *Improving the Management of Government Charge Cards*; Appendix C, *Requirements for Effective Measurement and Remediation of Improper Payments*;
- ▶ OMB Circular A-127, *Financial Management Systems*; and
- ▶ OMB Circular A-130, *Management of Federal Information Resources*.

### Management Assurances

FMFIA requires agencies to provide an annual statement of assurance regarding internal accounting and administrative controls, including program, operational, and administrative areas as well as accounting and financial management and reporting. During Fiscal Year (FY) 2009, the Office of Financial Management (PFM) conducted comprehensive site visits and otherwise provided oversight with regard to risk assessments, internal control reviews, and progress in implementing audit recommendations. Interior's FY 2009 Annual Assurance Statement is on the next page. The basis for the assurance statement conclusions is discussed below.

### Internal Control Assessments

Interior conducts annual assessments of the effectiveness of management, administrative, and accounting systems controls in accordance with FMFIA and OMB guidelines. The conclusions in the Secretary's FY 2009 Annual FMFIA Assurance Statement are based on the results of approximately 2,039 Internal control reviews conducted by bureaus and offices, including assessments of internal control over financial reporting. In addition, Interior considered the results of 30 Office of Inspector General (OIG) audits; 29 Government Accountability Office (GAO) program audits; and two financial statement audits conducted by the independent public accounting firm, KPMG LLP, under the auspices of the Chief Financial Officers (CFO) Act of 1990 and the Government Management Reform Act of 1994 (GMRA). In addition, many of Interior's internal control reviews and related accountability and integrity program activities focused on areas identified as major management challenges.

## FMFIA Material Weaknesses and Accounting System Nonconformances

OMB Circular No. A-123 requires that each agency identify and report on material weaknesses affecting the agency. Interior has adopted the OMB guidelines for material weakness designations and recognizes the importance of correcting material weaknesses in a timely manner. The PFM staff and senior program officials continuously monitor corrective action progress for all material weaknesses.

At the beginning of FY 2009, Interior had no Department-level FMFIA material weaknesses pending correction carried forward from the previous year. Inadequate Wireless Telecommunications had been identified as a material weakness in FY 2000 and downgraded in FY 2004, since it was then considered to be a bureau-specific matter, not a departmentwide issue. However, during FY 2009, as a result of an OIG report issued in September, 2008, and an extensive internal control review conducted departmentwide, it was determined that a reinstatement of the Radio Communications Program as a Department-level material weakness was appropriate (see Figure 1-1).

The OIG's FY 2009 Federal Information Security Management Act (FISMA) Report, dated October 9, 2009, stated that there is a significant deficiency and that the Department again does not fully comply with FISMA. Management has concluded that, while FISMA deficiencies warrant serious attention, they are not significant deficiencies, and the overall information systems security program does not represent an FMFIA material weakness.

The Department will report a material weakness corrected or downgraded when the following occurs:

- ▶ Senior management has demonstrated its commitment to resolving the material weakness as evidenced by resource deployment and frequent and regular monitoring of corrective action progress;
- ▶ Substantial and timely documented progress in completing material weakness corrective actions exists;

## FY 2009 ASSURANCE STATEMENT

The Department of the Interior's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). Interior is able to provide a qualified statement of assurance that the internal controls and financial management systems meet the objectives of FMFIA, with the exception of one material weakness, Radio Communications. The details of the exception are provided in Figure 1-1 in this section of the report.

Interior conducted its assessment of the effectiveness of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with the requirements of the Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Internal Control*. Based on the results of this evaluation, Interior identified the one material weakness in its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations identified in Figure 1-1 as of September 30, 2009. Other than that exception, the internal controls were operating effectively and no other material weaknesses were found in the design or operation of the internal controls.

In addition, Interior conducted its assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular A-123. Based on the results of this evaluation, Interior can provide reasonable assurance that its internal control over financial reporting as of June 30, 2009, was operating effectively and no material weaknesses were found in the design or operation of the internal control over financial reporting. Further, subsequent testing through September 30, 2009, did not identify any reportable changes in key financial reporting internal controls.

Interior can also provide reasonable assurance that its financial systems substantially comply with the FMFIA and with the component requirements of the Federal Financial Management Improvement Act.



Ken Salazar  
Secretary of the Interior  
November 16, 2009

FIGURE 1-1

## FMFIA Material Weaknesses

As of September 30, 2009				
Description	Corrective Actions	FY 2009 Progress	Target Completion Date	Status
<b>Office:</b> The Chief Information Officer (OCIO)  <b>Department of the Interior Radio Communications Program:</b> Interior has an unsafe and unreliable radio communications environment that jeopardizes health and safety of Interior employees and the public.	Interior will: 1) Assign responsibility over the radio communications program to the OCIO; 2) Develop a comprehensive management plan for the radio communications program; 3) Identify specific user groups and ensure that user needs are assessed and addressed, guidance is provided and enforced, and, training is provided; 4) Enforce existing safety procedures to notify employees and the general public of hazardous site conditions; and 5) Implement best practices, where appropriate.	1) Interior has appointed a credentialed project manager to oversee the radio communications program. This individual resides in the OCIO's office. 2) An Executive Radio Advisory Committee (ERAC) was established by the Deputy Secretary to oversee the implementation of the corrective actions. 3) A charter formally establishing the ERAC has been written and is being signed by the Deputy Secretary. 4) A policy establishing radio site standards and safety inspection criteria has been issued. 5) An assessment of radio program management is being conducted as the basis for development of the management plan. 6) Interior is implementing the Southwest Border Strategy to improve integrability which will pilot a consolidated approach to radio management.	FY 2013	Ongoing

- Corrective actions have been substantially completed, remaining actions are minor in scope, and the actions will be completed within the next fiscal year;
- Implemented corrective actions have eliminated or minimized the root cause(s) of the material weakness; and,
- Substantial validation of corrective action effectiveness has been performed.

Summaries of the Department's FMFIA material weaknesses, financial statement audit material weaknesses, and management assurances and accounting system nonconformances are presented in Figures 1-1, 1-2, and 1-3.

### Internal Control Over Financial Reporting

Revised OMB Circular A-123, Appendix A, strengthens internal control requirements over financial reporting in Federal agencies. The Circular provides updated internal control standards and requirements for conducting management's

assessment of the effectiveness of internal control over financial reporting.

In FY 2008, Interior completed a third assessment of the effectiveness of internal control over financial reporting. The results of the assessment revealed that a material control weakness exists in the financial reporting of unfilled customer orders, which was reported in Interior's Statement of Assurance. In FY 2009, that weakness was corrected and for other financial reporting areas, adequate controls exist, and financial reporting can be relied upon by senior management when used in conjunction with other decisionmaking processes. Although deficiencies were found in some financial reporting business processes, corrective actions and compensating controls are expected to address the deficiencies. The Department's internal control over financial reporting reasonably ensures the safeguarding of assets from waste, loss, and unauthorized use or misappropriation, as well as compliance with laws and regulations pertaining to financial reporting. (See FY 2009 Assurance Statement, paragraph 2).

FIGURE 1-2

## Summary of Financial Statement Audit

FY 2009					
<b>Audit Opinion</b>	Unqualified				
<b>Restatement</b>	No				
<b>Material Weaknesses</b>	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Controls over Unfilled Customer Orders	1	0	1	0	0
Total Material Weaknesses	1	0	1	0	0

FIGURE 1-3

## Summary of Management Assurances

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
<b>Statement of Assurance</b>	Unqualified					
<b>Material Weaknesses</b>	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Controls over Unfilled Customer Orders	1	0	1	0	0	0
Total Material Weaknesses	1	0	1	0	0	0

Effectiveness of Internal Control over Operations (FMFIA § 2)						
<b>Statement of Assurance</b>	Qualified					
<b>Material Weaknesses</b>	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Radio Communications Program	0	1	0	0	0	1
Total Material Weaknesses	0	1	0	0	0	1

Conformance with Financial Management System Requirements (FMFIA § 4)						
<b>Statement of Assurance</b>	Systems Conform to Financial Management System Requirements					
<b>Non-Conformances</b>	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total of Non-Conformances	0	0	0	0	0	0

Compliance with Federal Financial Management Improvement Act (FFMIA)		
	Agency	Auditor
Overall Substantial Compliance	Yes	Yes
1. System Requirements	Yes	
2. Accounting Standards	Yes	
3. U.S. Standard General Ledger at the Transaction Level	Yes	

Departmental policymakers and program managers continuously seek ways to achieve missions, meet program goals and measures, enhance operational processes, and implement new technological

developments. The OMB requirement to assess control over financial reporting strengthens the accountability of Departmental managers regarding internal controls and improves the quality and reliability of Interior's financial information.



## Federal Financial Management Improvement Act

FFMIA builds upon and complements the CFO Act, Government Performance and Results Act of 1993 (GPRA), and GMRA. FFMIA requires that Federal agencies substantially comply with: 1) applicable Federal accounting standards; 2) the U.S. Standard General Ledger (USSGL); and, 3) Federal financial management system requirements that support full disclosure of Federal financial data, including the cost of Federal programs and activities.

Federal agencies are required to address compliance with the requirements of FFMIA in the representation letter to the financial statement auditor. The auditor is required to report on the agency's compliance with FFMIA requirements in the Independent Auditors' Report. If an agency is not in compliance with the requirements of the FFMIA, the agency head is required to establish a remediation plan to achieve substantial compliance.

The FY 2008 Department financial statement audit report identified a noncompliance deficiency — Federal accounting standards with regard to unfilled customer orders. This deficiency was corrected during FY 2009. For FY 2009, the Department substantially complies with FFMIA.

## Inspector General Act Amendments (Audit Followup)

Interior has instituted a comprehensive audit followup program to ensure that audit recommendations are implemented in a timely and cost-effective manner and that disallowed costs and other funds due from contractors and grantees are collected or offset. In FY 2009, Interior monitored a substantial number of new Single Audit Act (418), OIG (30), and GAO (29) audit reports. Audit followup actions include analyzing audit reports referred; advising grantors of single audit findings; tracking, reviewing, and validating program and financial audit recommendations; developing mutually acceptable and timely resolution of disputed audit findings and recommendations; overseeing the implementing, documenting, and closing of audit recommendations; and, monitoring the recovery of disallowed costs. The OIG Semiannual Report to the Congress provides additional information about OIG activities and results.

To further underscore the importance of timely implementation of OIG and GAO audit

recommendations, Interior has an aggressive performance goal to implement 85 percent of all GAO and OIG recommendations where implementation was scheduled to occur during the current year or in previous years. In FY 2009, Interior exceeded this performance goal with a composite implementation rate of 86 percent.

## Results of Financial Statement Audit

As required by the GMRA, Interior prepares consolidated financial statements. These financial statements have been audited by KPMG LLP, an independent public accounting firm, since FY 2001 (the OIG audited the financial statements prior to FY 2001). Additionally, one component, the Departmental Offices (DO), prepares financial statements that are also audited.

The preparation and audit of financial statements form an integral part of Interior's centralized process to ensure the integrity of financial information.

The results of the FY 2009 financial statement audit are summarized in Figure 1-2. As shown in the table, Interior again achieved an unqualified audit opinion, the 13th consecutive one, for Interior's consolidated financial statements.

Figures 1-4 and 1-5 summarize the status of material weaknesses and noncompliance issues reported in the FY 2009 and FY 2008 financial statement audit. As noted previously, Interior reports only Department-level material weaknesses and noncompliances. Interior has established an internal goal of completing corrective actions for material weaknesses and noncompliance issues by the end of the following fiscal year, unless the magnitude of the corrective action involves a multiyear effort. The FY 2008 auditors' report identified one instance of material weakness concerning controls over unfilled customer orders. Interior concurred with the finding and corrected the material weakness during FY 2009 (See Figure 1-4).

The report also identified two instances of noncompliance with laws and regulations: the Single Audit Act Amendments (SAA) of 1996 and the Prompt Payment Act (PPA) of 2002. Interior concurs with both findings. As shown in Figure 1-5, the noncompliance with the SAA is a carryover from prior financial statement audits, while the PPA-related noncompliance was first reported in FY 2009. The Bureau of Reclamation implemented corrective actions during FY 2009 and



FIGURE 1-4

FYs 2009 and 2008 Audited Financial Statements Departmental Material Weakness Corrective Action Plan (as of September 30, 2009)						
Related Bureaus	Material Weakness Description	Corrective Action	Fiscal Year		Original Target Date	Status
			2009	2008		
BLM DO FWS NPS USGS	Controls Over Unfilled Customer Orders	1) Develop and communicate accounting policies and procedures for unfilled customer orders; 2) Provide training to personnel on accounting for unfilled customer orders; 3) Record the entire amount of an unfilled customer order when the order is received; and 4) Monitor and close out an unfilled customer order when the order expires or funding is no longer available for obligation.		X	3/31/09	Corrected

FIGURE 1-5

FYs 2009 and 2008 Audited Financial Statements Departmental Noncompliance Corrective Action Plan (as of September 30, 2009)						
Related Bureaus	Noncompliance Description	Corrective Action	Fiscal Year		Original Target Date	Status
			2009	2008		
BLM MMS OSM	Prompt Payment Act of 2002	1) Modify the accounting system to properly calculate prompt payment interest; and, 2) Require a documented second-person review of prompt payment interest that is manually calculated.	X		9/30/10	In Progress
BOR (2008 only) DO FWS NPS	Single Audit Act Amendments of 1996	Obtain Single Audit, Financial Status, Grant Performance, and Annual Reports and issue management decisions on audit findings in accordance with the requirements of the Single Audit Act Amendments.	X	X	9/30/06	Carryover
BLM DO FWS NPS USGS	Federal Financial Management Improvement Act of 1996	Improve procedures and internal controls to ensure the financial statements are prepared in accordance with Federal accounting standards.		X		Corrected

is no longer noncompliant with the SAA, however the Departmental Offices, Fish and Wildlife Service, and the National Park Service have not yet completed mitigating actions to correct the noncompliance.

## Major Management Challenges Confronting Interior

The OIG and the GAO annually advise Congress on what are considered to be the major management challenges facing Interior. A summary of the major management challenges identified by the OIG and GAO and Interior's response to the challenges identified are contained in Part 3: Other Accompanying Information, of this report.

## Compliance with Other Key Legal and Regulatory Requirements

Interior is required to comply with several other legal and regulatory financial requirements, including the Prompt Payment Act (PPA), Debt Collection Improvement Act (DCIA), and Electronic Funds Transfer (EFT). Information concerning these regulatory requirements can be found in Part 3: Other Accompanying Information, of this report.

## The American Reinvestment and Recovery Act (ARRA) of 2009

ARRA was signed into law by President Obama on February 17, 2009. It is an unprecedented effort to jump start the economy, create or save millions of jobs, and put a down payment on addressing long-neglected challenges. This effort includes measures to modernize the nation's infrastructure,

enhance energy independence, expand educational opportunities, preserve and improve affordable health care, provide tax relief, and protect those in greatest need.

The \$3 billion in funding allocated for Interior in President Obama's economic recovery plan could create as many as 32,500 jobs and stimulate business activity in communities across America. Under ARRA, Interior is making an investment in conserving America's treasures—our natural landscapes, our monuments to liberty, the icons of our culture and heritage—while helping working families and their communities prosper again.

For details on Interior's ARRA activities, refer to <http://recovery.doi.gov>.

## Financial Management Systems

Interior shares the view of the Governmentwide CFO Council that a key to improved financial and program management is improved financial management systems. Improving financial management systems will provide for and strengthen decisionmaking capabilities and enable Interior program and financial managers to more effectively achieve Interior's missions. Interior recognizes the importance of financial management systems as a part of the capital assets portfolio and uses sound information technology investment management principles to plan and monitor these systems. With the Financial and Business Management System (FBMS), Interior's goal is to achieve and maintain the objective stated in OMB Circular A-127 – for each agency to establish a single, integrated financial management system. In pursuing this goal, Interior will follow the information technology investment management practices and principles identified in the Clinger-Cohen Act of 1996.

### Financial Management Systems Improvement Strategy

Interior's goal is to continue to improve financial transaction processing and to enhance financial management systems support through an effective partnership of program, information system, and financial managers. Interior relies on financial management systems planned for, managed together, and operated to collectively support program and financial managers. These systems are managed at various levels within Interior. Some of these systems are managed on a Departmental level, others are maintained at a bureau level, and

some are Governmentwide systems on which the Department relies. Collectively, they represent the Department's financial management systems architecture.

The Department has viewed the movement toward a single, integrated financial system as encompassing four interrelated elements: (1) improvement of internal control; (2) elimination of redundant data entry; (3) enabling end-to-end transaction processing; and, (4) standardization of data for improved information quality. The Department's current, major financial management system improvement effort centers around FBMS. Interior is implementing the fifth of eight FBMS deployments that will result in the Department's business transformation to a fully integrated business management system.

### Financial and Business Management System

FBMS is an integrated suite of software applications that will help the Department manage a variety of business functions, including core financials, acquisition, budget formulation, personal property and fleet management, real property, travel, financial assistance, and enterprise management information and reporting. When fully operational in FY 2014, FBMS will provide Interior with standard business practices supported by a single, integrated financial and administrative system for all bureaus.

The standardization and integration delivered by FBMS will help facilitate more collaborative relationships and establish a common approach to financial and business management across Interior. As a result, Interior will be positioned to deliver programs and services in a more efficient and more effective manner. Benefits gained from implementing this suite of applications will include:

- ◆ Standardized and integrated business processes;
- ◆ Improved security and internal controls;
- ◆ Improved cost information;
- ◆ Improved tracking and auditing capabilities;
- ◆ Reduced double entry of data in multiple systems and manual paper processing;
- ◆ Improved Departmentwide and bureau-specific reporting capabilities;
- ◆ Increased data integrity; and,
- ◆ Retirement of aging and unsupported legacy systems.

### FY 2009 Accomplishments

FBMS accomplishments include the successful first quarter FY 2009 deployment of the FBMS functionality of personal property and fleet management, E-Gov Travel, electronic commerce, and Human Resources Mini-Master to the Bureau of Land Management (BLM), the Office of Surface Mining Reclamation and Enforcement (OSM), and the Minerals Management Service (MMS). The FBMS acquisition, core financial, financial assistance, and enterprise management information and reporting functions were deployed to BLM early in FY 2009. These functions were operational in OSM and MMS beginning in FY 2005. The Project Management Office (PMO) provided operations and maintenance support to FBMS. The National Business Center (NBC) remained the system's shared-service hosting provider. Some of the accomplishments of the PMO and NBC include:

- ▶ Provided post-go-live system support for Deployment 4 (BLM);
- ▶ Completed business blueprinting for the FY 2011 deployment of FBMS functionality to BLM, OSM, and MMS, and the FY 2010 deployment of all FBMS functionality, except budget formulation, to the U.S. Geological Survey (USGS). The major functionality addition planned for this deployment (Deployment 5) is Real Property;
- ▶ Developed, tested, and implemented three interim FBMS enhancements in June and July of FY 2009; and,
- ▶ Received a full Certification and Accreditation (C&A) from the Designated Approving Authority (Deputy Assistant Secretary, Budget and Business Management) on October 14, 2008. This C&A provided authorization to operate Deployment 4 in the production environment.

### Future Planned Activities

Other necessary activities are planned to ensure successful deployments of FBMS in the out-years after FY 2010. These activities include:

- ▶ Completing realization activities for Deployment 5 (USGS) with scheduled go-live in early FY 2011;
- ▶ Deploying a major new hardware and software technical refresh scheduled to be installed in the second quarter of FY 2010;
- ▶ Conducting planning and early start Blueprint activities for Deployment 6, scheduled for early FY 2012, which will be comprised of the U.S. Fish and Wildlife Service (FWS), the NBC, and the Office of the Secretary, and;
- ▶ Designing, developing, testing, and implementing standard public sector budget formulation functionality for deployment in FY 2011.

Interior received, for the 13th consecutive year, an unqualified audit opinion on its financial statements. The statements were audited by the independent accounting firm of KPMG LLP.

Preparing the financial statements is part of Interior's goal to improve financial management and to provide accurate and reliable information that is useful for assessing financial performance and allocating resources. Interior management is responsible for the integrity and objectivity of the financial information presented on the financial statements.

The financial statements and financial data presented in the Agency Financial Report (AFR) have been prepared from Interior's accounting records in conformity with generally accepted accounting principles. Generally Accepted Accounting Principles (GAAP) for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board. Effective October 1, 2008, Statement of Federal Financial Accounting Standard (SFFAS) 31, *Accounting for Fiduciary Activities*, requires federal entities to disclose fiduciary activities in a note instead of reporting on the financial statements. In accordance with this standard, Interior did not recognize fiduciary activities on the FY 2009 financial statements and instead disclosed fiduciary activities in Note 22. This standard does not require prior period restatement.

Information provided on the financial statements, the opinion presented as a result of the independent audit, and other disclosures and information provided in the AFR provide assurance to the public that the information is accurate, reliable, and useful for decisionmaking.

Interior expects that balances of line items will fluctuate in the normal course of business. Therefore, while Interior notes these variances, any fluctuations of 10 percent or less are considered normal and will not be detailed specifically in this analysis, unless the amount of the changes are deemed significant by Interior.

## Overview of Financial Position

At the end of FY 2009, Interior's assets totaled \$76,920 million. This is an increase of \$6,241 million or 9 percent over the previous year's assets, which totaled \$70,679 million. Interior's assets reflected in the Balance Sheet are summarized below.

Interior's assets are primarily composed of the Fund Balance with Treasury and General Property, Plant, and Equipment (PP&E). The Fund Balance with Treasury is money that Interior is authorized to use to pay liabilities resulting from operational activity and consists of funds received from direct appropriations, transfers, offsetting receipts, recoveries, and funds held in budget clearing accounts.

General PP&E are primarily composed of land, structures, and facilities which are used for general operations, power, wildlife enhancement, and recreation. Most of Interior's structures and facilities are composed of dams, power, and irrigation facilities managed by BOR. The remainder consists of buildings and facilities used in Interior's operations (e.g., visitor centers, fish hatcheries, and IA schools).

In FY 2009, Interior's Fund Balance with Treasury increased approximately \$3,796 million. \$3,005 million of this increase is due to the funds that Interior received under the American Recovery and Reinvestment Act of 2009. Accounts and Interest Receivable (Net) increased for the year by approximately \$1,919 million (58 percent). This increase is mainly due to the Minerals Management Service recording a \$2,150 million receivable from Treasury for refunds due to the public as a result of the loss of the Kerr-McGee case. This increase is offset with the corresponding refunds payable.

### Condensed Assets

<i>(dollars in thousands)</i>	<b>FY 2009</b>	<b>FY 2008</b>
Fund Balance with Treasury	\$ 41,728,717	\$ 37,932,964
Investments, Net	7,052,173	7,546,611
General Property, Plant, and Equipment, Net	18,989,791	18,306,908
Accounts and Interest Receivable, Net	5,203,301	3,284,138
Other Assets	3,945,807	3,608,646
<b>Total Assets</b>	<b>\$ 76,919,789</b>	<b>\$ 70,679,267</b>

## Liabilities

In FY 2009, Interior's liabilities totaled \$12,357 million. This is an increase of \$529 million or 4 percent increase from previous year's liabilities of \$11,828 million. Interior's liabilities reflected in the Balance Sheet are summarized below.

Interior's liabilities are primarily composed of Accounts Payable, Debt, Federal Employee and Veteran Benefits, and Other Liabilities. Other Liabilities are primarily composed of Liability for Capital Transfer to the General Fund of the Treasury, Refunds Payable, Contingent, Advances, Deferred Revenues, and Custodial Liabilities.

Federal agencies, by law, cannot disburse money unless Congress has appropriated funds. Funded liabilities are expected to be paid from funds currently available to the Department. Interior's unfunded liabilities consist primarily of Environmental and Legal Contingent Liabilities and unfunded employee compensation costs, which include Federal Employment and Compensation Act and annual leave amounts.

These liabilities will be paid from funds made available to Interior in future years. The associated expense is recognized in the period in which the liability is incurred, regardless of budgetary funding considerations.

In FY 2009, the Loan Guarantee Liability increased for the year by \$15 million (40 percent) due to an increase in Indian Affairs' direct loan and loan guarantee subsidies under the Federal Credit Reform Act.

The Other Liabilities line item, as presented in this summary statement, is a composite of all remaining liabilities in the Department. The large increase of approximately \$578 million (7 percent) is, therefore, a result of many smaller changes. Mainly, the change is due to the increase in refunds payable of about \$2 billion from the loss of the Kerr-McGee case, and a decrease of approximately \$1 billion in Contingent Liability due to payments made for settlement of the Amber case.

### Condensed Liabilities

<i>(dollars in thousands)</i>	<b>FY 2009</b>	<b>FY 2008</b>
Accounts Payable	\$ 1,569,389	\$ 1,571,833
Debt	643,272	715,109
Loan Guarantee Liability	50,779	36,180
Federal Employee and Veteran Benefits	1,394,446	1,383,223
Environmental and Disposal Liabilities	155,684	155,548
Other Liabilities	8,543,399	7,965,752
<b>Total Liabilities</b>	<b>\$ 12,356,969</b>	<b>\$ 11,827,645</b>

## Net Position

Interior's Net Position at the end of 2009, disclosed in the Balance Sheet and the Statement of Changes in Net Position, was \$64,563 million, an increase of about \$5,711 million or 10 percent from the previous year's Net Position of \$58,852 million. Approximately \$3,005 million of this increase is due to the funds received under the American Recovery and Reinvestment Act.

Interior's Net Position consists of the sum of Unexpended Appropriations of \$6,885 million and Cumulative Results of Operations of \$57,677 million.

## Net Cost

Interior's net cost of operations for FY 2009 was \$15,092 million. This is a decrease of \$1,154 million or 7 percent from the previous year's net cost of \$16,246 million. Interior's net cost of operations as reflected in the Statement of Net Cost is summarized below.

Most costs incurred by Interior are directly related to providing services to the public. The Consolidated Statement of Net Cost is divided into the following five major program segments: Resource Protection; Resource Use; Recreation; Serving Communities; and, Reimbursable Activity and Other.

## Condensed Net Cost

<i>(dollars in thousands)</i>	<b>FY 2009</b>	<b>FY 2008</b>
Resource Protection	\$ 3,989,715	\$ 3,780,366
Resource Use	2,390,705	3,973,630
Recreation	2,865,264	2,632,479
Serving Communities	4,892,334	4,777,813
Reimbursable Activity and Other	953,799	1,081,461
<b>Net Cost of Operations</b>	<b>\$ 15,091,817</b>	<b>\$ 16,245,749</b>

## Revenue

During FY 2009, Interior earned approximately \$2,239 million in revenue from the public and approximately \$2,188 million in revenue from other Federal entities, for a total of \$4,427 million. This is an increase of approximately \$97 million from September 30, 2008. In FY 2008, approximately \$2,134 million was earned in revenue from the public and approximately \$2,196 million was earned in revenue from other Federal entities, for a total of \$4,330 million.

Interior classifies revenue as exchange or non-exchange revenue. Exchange revenues are those that derive from transactions in which both the Government and the other party receive value, including park and wildlife refuge entrance fees, map sales, and other products and services that are directly related to Departmental operations. Revenue collected from other Federal agencies consists of reimbursable activities such as construction, engineering, and other technical services. Most of the revenue received from Federal agencies is received from Interior Franchise Fund and National Business Center operations that provide shared administrative services. Interior also collects mineral lease revenues on behalf of the Federal government; these are presented in the Statement of Custodial Activity rather than the Statement of Net Cost.

Interior also collects various non-exchange revenues. Examples of non-exchange revenue are taxes, fines, and penalties that the Federal government collects.

## Budgetary Resources

Interior receives most of its funding from general government funds administered by the U.S. Treasury and appropriated for Interior's use by the Congress. These resources consist of the balance at the beginning of the year, appropriations received during the year, and spending authority from offsetting collections, as well as other sources of budgetary resources.

Other resources include Special and Trust Funds, such as Conservation Funds (the Land and Water Conservation Fund, Historic Preservation Fund, and the Environmental Improvement and Restoration Fund), the Reclamation Fund, and the Aquatic Resources Trust Fund. These funds are administered in accordance with applicable laws and regulations.

The Statement of Budgetary Resources provides information on how budgetary resources and non-budgetary credit program financing were made available to Interior for the year and the status at fiscal year-end. Obligations of \$22,568 million and \$21,920 million were incurred as of September 30, 2009, and September 30, 2008, respectively on total budgetary resources in FY 2009 of \$32,272 million, and in FY 2008, of \$29,044 million.

## Custodial Activity

In accordance with Federal accounting standards, receipts from mineral leasing revenue are presented in Interior's Statement of Custodial Activity, since the collections are considered to be revenue of the Federal Government as a whole rather than Interior. Mineral leasing revenue was \$9,320 million and \$25,371 million as of September 30, 2009, and September 30, 2008, respectively, and includes Outer Continental Shelf and onshore oil, gas, and mineral sales and royalties. The decrease of \$16,051 million is due to the significant decreases in commodity prices and onshore and offshore mineral lease bonuses and the cessation of the large Strategic Petroleum Reserve (SPR) fill initiative in FY 2009.

Interior collects a portion of revenue as royalties in kind for transfer to the SPR. The current SPR initiative began in July 2007 and was discontinued in June 2008. The current estimated value of this initiative is \$269 million which was reported as custodial revenue.



### Stewardship Investments

Stewardship investments represent expenses incurred to support the current operations that are expected to benefit the Nation over time. Interior's Stewardship Investments include research and development programs, investments in human capital, and investments in nonfederal physical property.

Stewardship Investments are summarized in the following table.

Stewardship Investments (in millions)				
	FY 2009	FY 2008	Change	% Change
Non-Federal Physical Property	\$623	\$667	\$-44	-7%
Research and Development	\$901	\$885	\$+16	+2%
Human Capital	\$615	\$589	\$+26	+4%

Interior's reported values for Property, Plant, and Equipment exclude stewardship assets because they are considered priceless and do not have an identifiable value. Therefore, monetary amounts cannot be assigned. An in-depth discussion of these assets is presented in the Notes to the Financial Statements section and the Required Supplementary Information section of the AFR.

### Limitations of Financial Statements

Management prepares the accompanying financial statements to report the financial position and results of operations for Interior pursuant to the requirements of Chapter 31 of the U.S.C. Section 3515(b).

While these statements have been prepared from the records of the Department in accordance with GAAP and formats prescribed in OMB Circular No. A-136, *Financial Reporting Requirements*, these statements are in addition to the financial reports used to monitor and control the budgetary resources that are prepared from the same records. These statements should be read with the understanding that they are for a component of the U.S. Government, a sovereign entity.